

**UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re:	§	
MERIT STREET MEDIA, INC. ¹	§	Chapter 11
Debtor.	§	Case No. 25-80156 (SWE)
MERIT STREET MEDIA, INC.	§	
Plaintiff,	§	
v.	§	Adversary No.: 25-08006-SWE
TRINITY BROADCASTING OF TEXAS, INC. and TCT MINISTRIES, INC.	§	
Trinity.	§	

**DEFENDANT TCT MINISTRIES INC.’S RESPONSE IN OPPOSITION TO
DEBTOR’S MOTION FOR PARTIAL SUMMARY JUDGMENT FOR
PREFERENCE AVOIDANCE AGAINST TCT MINISTRIES, INC.**

Subject to and without waiving Defendants Trinity Broadcasting of Texas, Inc. dba Trinity Broadcasting Network (“TBN”) and TCT Ministries, Inc.’s (“TCT,” together with TBN, “Trinity”) *Motion to Dismiss Adversary Complaint for Declaratory and Monetary Relief* [Dkt. No. 47] (“**Motion to Dismiss**”) or the defenses asserted in the *Original Answer to Merit Street Media, Inc.’s Adversary Complaint for Declaratory and Monetary Relief* [Dkt. No. 49] (“**Original Answer**”), TCT, by and through its undersigned counsel, hereby files this Response in opposition (the “**Response**”) to *Debtor’s Motion for Partial Summary Judgment for Preference Avoidance*

¹ The last four digits of the Debtor’s federal tax identification number are 8990. The Debtor’s mailing address is 5501 Alliance Gateway Fwy, Fort Worth, Texas 76177.

Against TCT Ministries [Docket No. 24] (the “**Motion**”) filed by Plaintiff Merit Street Media, Inc. (“**Merit Street**” or “**Plaintiff**”). In support of the Response, TCT respectfully submits as follows:

I.
RELEVANT BACKGROUND

1. On July 2, 2025, Merit Street filed its *Adversary Complaint for Declaratory and Monetary Relief* against Trinity [Dkt. No. 1] (the “**Complaint**”), thereby initiating this Adversary Case No. 25-08006 (the “**Adversary Proceeding**”). The Complaint asserts various claims against Trinity, including, among other things, breach of contract, breach of fiduciary duty, equitable subordination, and avoidance of the alleged preferential transfer under section 547(b) (the “**Preference Claim**”). Merit Street then immediately sought to truncate TCT’s due process rights with respect to the Preference Claim by conditioning any and all future borrowings under the DIP Facility to a final judgment on the Preference Claim. *See* Dkt. No. 2.

2. On July 3, 2025, the Court conducted its first day hearing at which the Court permitted the Preference Claim to be adjudicated on an expedited schedule but reserved all rights with respect to any of TCT’s defenses under section 547(c) to a later date. *See* Dkt. No. 7.

3. In accordance with the Court’s scheduling order, on July 10, 2025, TCT filed its *Original Answer to Count V of Debtor’s Adversary Complaint for Declaratory and Monetary Relief* [Dkt. No. 15] (the “**Preference Claim Answer**”).

4. Trinity’s answers or responses to the remaining counts of the Complaint were due in the ordinary course of litigation. On August 7, 2025, Trinity filed its Motion to Dismiss [Dkt. No. 47], asserting, among other things, that the entirety of the Complaint, including the Preference Claim, must be dismissed for lack of subject matter jurisdiction pursuant to Rule 12(b)(1) of Federal Rule of Civil Procedure, made applicable by Rule 7012 of Federal Rule of Bankruptcy

Procedure.²

5. Trinity also filed its Original Answer [Dkt. No. 49], asserting, among other things, all that defenses under 11 U.S.C. § 547(c) as well as the doctrine of unclean hands precludes avoiding any purported transfer alleged in the Preference Claim.

II.

STATEMENT OF UNDISPUTED FACTS

6. Subject to the affirmative defenses raised in the Original Answer and the Motion to Dismiss as well as 11 U.S.C. §§ 349 and 547(c), TCT states the following facts are undisputed:

7. In September 2024, Merit Street issued to CrossSeed, Inc. (“**CrossSeed**”) a \$25 million convertible promissory note (the “**CrossSeed Convertible Note**”).

8. The CrossSeed Convertible Note converts to equity at a fixed Merit Street valuation of \$425 million at the option of CrossSeed, exercisable only at the time of an equity raise of qualified financing. The CrossSeed Convertible Note is secured by substantially all assets of Merit Street, and bears interest a rate of 12% simple interest, payable on the maturity date of September 7, 2026.

9. The outstanding amount under the CrossSeed Convertible Note is approximately \$26.25 million.

10. Following the execution of the CrossSeed Convertible Note and funding of any amounts pledged thereunder, Phillip C. McGraw (“**McGraw**”) requested that CrossSeed hold off on filing a UCC-1 Financing Statement in order to prevent interference with future fundraising and stay below the radar with the SEC. Still wanting to be a good partner with McGraw, CrossSeed

² Trinity has further raised this issue in its *Emergency Motion for an Order: (I) Dismissing Debtor’s Chapter 11 Case, (II) Converting the Case to Chapter 7, or (III) Appointing a Chapter 11 Trustee* [Bankr. Dkt. No. 100] (the “**Motion to Dismiss**”) filed in the main bankruptcy proceeding.

acquiesced to this request. Had McGraw disclosed his plan to use this pretext to challenge that security interest as a preference, CrossSeed would never have delayed recording.

11. On March 5, 2025, CrossSeed assigned the note to TCT, an affiliate of TBN, which then filed a UCC-1 Financing Statement on May 27, 2025 covering all or substantially all of Merit Street's assets.

III. **RESPONSE**

12. TCT responds to the Motion with the above statement of undisputed facts and represents that the Preference Claim is not fully adjudicated until the Court (a) determines whether it has subject matter jurisdiction over the Chapter 11 Case and this Adversary Case as raised in the Motion to Dismiss, and (b) adjudicates all affirmative defenses set forth in 11 U.S.C. § 547(c) and asserted in the Original Answer.

13. TCT further reserves all rights under 11 U.S.C. § 349 and other applicable law.

Dated: August 12, 2025

Respectfully submitted by:

/s/ Steven C. Lockhart

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ATTORNEYS FOR TRINITY

TRINITY BROADCASTING OF TEXAS, INC. and

TCT MINISTRIES, INC.

CERTIFICATE OF SERVICE

I certify that I caused the foregoing document to be filed on August 12, 2025, using the Court's CM/ECF System which caused it to be served upon those parties registered in the system to receive such service.

/s/ Mark C. Moore
Mark C. Moore